

Actual Usage of California Tax Credits

By Chris Micheli

The purpose of this article is to briefly review the actual usage of California's tax credits by personal income taxpayers and corporate taxpayers.

I. OVERVIEW OF PERSONAL INCOME TAX CREDITS

California provides a large number of personal income tax (PIT) credits. As can be seen from the following chart, eight credits out of thirty are widely used, based upon the number and amount of credits claimed. The PIT credits that enjoy the most usage are: Child and Dependent Care; Enterprise Zone Hiring and Sales/Use Tax; Manufacturers' Investment; Nonrefundable Renters; Other State Taxes; Prior Year Alternative Minimum Tax; Research and Development; and, Teachers Retention.

By total number of taxpayers claiming the credit, the following are the top five most widely used PIT credits:

Nonrefundable Renters

Child and Dependent Care

Teachers Retention

Other State Taxes

Prior Year Alternative Minimum Tax

By total amount of credits claimed, the following are the top five most widely used PIT credits:

Other State Taxes

Child and Dependent Care

Teachers Retention

Prior Year Alternative Minimum Tax

Nonrefundable Renters

The following PIT credits have less than \$100,000 in annual amount of credits claimed:

Agricultural Transportation

CDFI Deposits

Dependent Parent

Disabled Access

Enhanced Oil Recovery

Enterprise Zone Wages

Farmworker Housing Construction

Joint Strike Fighter Wages/Property

LAMBRA

Manufacturing Enhancement Area

Prison Inmate Labor

Rice Straw

The following PIT credits have fewer than 100 claimants:

Agricultural Transportation

CDFI Deposits

Enhanced Oil Recovery

Farmworker Housing Construction

Joint Strike Fighter Wages/Property

LAMBRA

Manufacturing Enhancement Area

Natural Heritage Preservation

Prison Inmate Labor

Rice Straw

II. ACTUAL PERSONAL INCOME TAX CREDIT USAGE

The following data, for the most recent tax year available (2001), was derived from Franchise Tax Board (FTB) documents. The credits (in alphabetical order) are broken down by the number of claimants and the total amount of credits claimed.

2001 TAX YEAR		
Credit	Number of Taxpayers Claiming the Credit	Amount of Credits Claimed
Agricultural Transportation	26	\$32,000
Child Adoption	1,550	\$1,489,000
Child and Dependent Care	619,072	\$177,531,000
CDFI Deposits	7	\$4,000
Dependent Parent	296	\$77,000
Disabled Access	918	\$81,000
Employer Child Care Contribution	4,479	\$1,822,000
Employer Child Care Program	311	\$194,000
Enhanced Oil Recovery	71	\$93,000
Enterprise Zone Hiring and Sales/Use	2,579	\$48,888,000
Enterprise Zone Wages	235	\$52,000
Farmworker Housing Construction	5	\$3,000
Joint Custody Head of Household	2,802	\$686,000
Joint Strike Fighter Wages/Property	8	\$8,000
LAMBRA	21	\$46,000
Long-Term Caregiver	5,198	\$2,269,000

Low-Income Housing	1,093	\$1,356,000
Manufacturing Enhancement Area	16	\$19,000
Manufacturers' Investment	5,800	\$37,913,000
Natural Heritage Preservation	51	\$8,252,000
Nonrefundable Renters	1,286,884	\$93,052,000
Other State Taxes	90,826	\$344,519,000
Prior Year Alternative Minimum Tax	12,085	\$111,571,000
Prison Inmate Labor	10	\$23,000
Qualified Senior Head of Household	457	\$146,000
Research and Development	2,050	\$20,138,000
Rice Straw	60	\$90,000
Solar Systems	1,597	\$2,645,000
Targeted Tax Areas	105	\$1,134,000
Teachers Retention	214,850	\$165,986,000

III. OVERVIEW OF CORPORATE TAX CREDITS

California also provides a number of corporate tax credits. As can be seen from the following chart, five credits out of eighteen are widely used, based upon the number and amount of credits claimed. The corporate credits that enjoy the most usage are: Enterprise Zone Hiring and Sales/Use; Low-Income Housing; Manufacturers' Investment; Prior Year Alternative Minimum Tax; and, Research and Development.

By total number of taxpayers claiming the credit, the following are the top five most widely used corporate credits:

Manufacturers' Investment

Research and Development

Enterprise Zone Hiring and Sales/Use

Prior Year Alternative Minimum Tax

Disabled Access

By total amount of credits claimed, the following are the top five most widely used corporate credits:

- Research and Development
- Manufacturers' Investment
- Enterprise Zone Hiring and Sales/Use
- Prior Year Alternative Minimum Tax
- Low-Income Housing

The following corporate credits have less than \$100,000 in annual amount of credits claimed:

- Disabled Access
- Farmworker Housing Construction
- Manufacturing Enhancement Area
- Prison Inmate Labor
- Rice Straw

The following corporate credits have fewer than 100 claimants:

- CDFI Deposits
- Employer Child Care Program
- Enhanced Oil Recovery
- Farmworker Housing Construction
- Joint Strike Fighter Wages/Property
- LAMBRA
- Low-Income Housing

Manufacturing Enhancement Area

Natural Heritage Preservation

Prison Inmate Labor

Rice Straw

Targeted Tax Areas

IV. ACTUAL CORPORATE TAX CREDIT USAGE

The following data, for the most recent tax year available (2000), was derived from Franchise Tax Board (FTB) documents. The credits (in alphabetical order) are broken down by the number of claimants and the total amount of credits claimed.

2000 TAX YEAR		
Credit	Number of Taxpayers Claiming the Credit	Amount of Credits Claimed
CDFI Deposits	6	\$547,000
Disabled Access	213	\$18,000
Employer Child Care Contribution	120	\$723,000
Employer Child Care Program	35	\$274,000
Enhanced Oil Recovery	12	\$863,000
Enterprise Zone Hiring and Sales/Use	1,543	\$103,375,000
Farmworker Housing Construction	0	\$0
Joint Strike Fighter Wages/Property	3	\$450,000
LAMBRA	17	\$315,000
Low-Income Housing	51	\$23,153,000
Manufacturing Enhancement Area	3	\$90,000
Manufacturers' Investment Credit	4,961	\$410,119,000
Natural Heritage Preservation	3	\$450,000
Prior Year Alternative Minimum Tax	1,246	\$51,135,000
Prison Inmate Labor	1	\$3,000
Research and Development	1,767	\$564,449,000
Rice Straw	2	\$2,000
Targeted Tax Areas	45	\$1,520,000

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